

## Staff Report for 2018 State Board of Equalization

September 24, 2018

**File No.:** 2018-DICKINSON-CENTURY

**Prepared By:** Property Tax Division – KV

**County or City:** Stark County

**Appellant:** Carlos Royal

**Issue:** Protests the assessment of parcel number 004-1160-0100-0101

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**Summary:** Carlos Royal, owner of Century Apartments, protests the assessment on the complex located within the City of Dickinson.

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**Analysis:** The City of Dickinson Board of Equalization was presented an original valuation of \$7,890,300 (1,251,100 for land and 6,639,200 for improvements) by the Dickinson City Assessor, Mr. Joe Hirschfeld. The board requested Mr. Hirschfeld to review the properties that were appealed and provide an updated valuation before approving. The City Board of Equalization reconvened and Mr. Hirschfeld provided a recommendation of \$6,499,000. The city approved the adjusted value and adjourned. At the Stark County Board of Equalization the commission reinstated the original valuation of \$7,890,300 recommended by the Stark County Director of Tax Equalization. The City of Dickinson Board of Equalization did not have a representative, other than Mr. Hirschfeld, present at the county board of equalization. Mr. Carlos Royal, owner of the complex, has had an independent appraisal completed and has followed the appeal process as provided in North Dakota statute.

An onsite inspection was completed by members of the Property Tax Division on August 22, 2018. A tour of vacant apartment units, office building, hallways, common laundry and the exterior grounds was provided by the property manager, Mr. Dave Bauer. The apartment complex was constructed from 1980-1982. It consists of 120 units which include 30 – 1 bedroom, 1 bathroom, 60 – 2 bedrooms, 2 bathroom and 30 – 3 bedroom, 1 bathroom. The site is ten acres, includes a 24 x 60 outdoor pool, 50 x 110 concrete sports court, playground and fenced dog run areas, office building, 204 onsite parking spots and 68 single car garages. The complex has had routine maintenance and appears to be typical for the age of the complex.

Consideration was given to the three approaches to value. The cost approach was provided by the City of Dickinson's Assessor Office. Mr. Royal is not disputing cost to build. He contends that income and sales approach are not being considered. With comparable sales and income information provided to the State Board of Equalization the sales and income approach are the most relevant approaches to consider. Using information available throughout all of the appraisals, provided by the appellants, for the Stark County appeals, visiting with Mr. Hirschfeld, and consulting with other county tax officials the following income approach was calculated.

The subject property has an estimated potential gross income of \$801,000, a 20% vacancy and loss was deducted, \$88,000 extra income was added, for an effective gross income of \$728,800. Allowable expenses of 45% was subtracted from the effective gross income, which calculated a final potential net operating income of \$400,840. A loaded capitalization rate of 8% provided the final estimate of value at \$5,010,500. The income approach was further supported by using a market gross income multiplier (GIM). The GIM of 5.9 was calculated using information from the sales provided by the appraisals submitted. The GIM is calculated by dividing the sale price of a property that sold by the annual gross income. The GIM indicated \$5,245,100.

The sales information was gathered with the appraisals provided for the appealed properties in Stark County. Additional sales were also provided by Mr. Hirschfeld. The sales provided were narrowed to provide a sample of sales most comparable to the subject property. Also included in the sales comparison approach were two current listings and one contingent offer. The sales/listings indicate an average listing/sale of \$49,816 a unit. The subject property has 120 units, indicating a value of \$5,977,937.

Considering the three approaches to value the income and sales approach were given the most consideration.

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**Recommendation:** Decrease parcel 004-1160-0100-0101 by 35%. Resulting in an approximate assessment at \$5,129,000. Direct the Dickinson City Assessor to continue to closely monitor the market and make adjustments as necessary to maintain equitable and equalized assessments.